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Call Operator: ____
Host: Jim Cale, Laurie Daniels

Audio Transcript

Call Operator:
Ladies and Gentlemen, once again, I'd like to welcome you to today's webcast entitled "Your Retirement Application & Options." Now without further delay, let me turn today's live meeting over to your CalPERS representative, Jim Cale, and (inaudible) … Take it away, Jim.

Jim Cale:
Good morning. Again, my name is Jim Cale. I will be your CalPERS representative this morning. Our webinar is called, "Your Retirement Application and Options." We'll be providing an introduction on how the retirement payment options work, and the completion of the retirement application.

So, here are our objectives for today's webinar. We'll explain the difference between a survivor and a beneficiary. Next, we'll provide an overview of the retirement payment options for you. Then we'll move on and review how the benefit payoffs work for the most common of the retirement payment options. Then we'll discuss the sections of the Service Retirement Application and, finally, we'll identify some necessary supporting documents and forms.

Before we get into the content, let's do a quick poll question, get everybody involved.

Have you ever participated in a CalPERS educational class or event before? Is this your first one? Have you been to one of our online classes? Have you been to one of our instructor led classes? Have you attended a retirement planning fair? Or, have you participated in more than one?

And it looks like. This is the first one, is the most popular option by far. Still, almost half of everybody, this is your first CalPERS educational event that you've attended. Excellent. Excellent. Good place to start.

Yeah, and it looks like, that's about, huh, doesn't look like it's changing a whole lot here.

All right. So we've got some people who have been to the instructor led classes. That's good. That's where you get the most detail. Retirement planning fairs get you good overview. And, of course, we love it when people have participated in more than one. That means we know you're preparing for retirement.

So, let's move on. There we go. So, before we can begin our discussion of the retirement payment options and how they work, we need to define some terms. We'll be talking about survivors and beneficiaries today. And, while those terms sound very similar, they actually have distinct meanings at CalPERS, and it's important to know what the differences are.

Now, beneficiary is anyone of your choosing. It is not set by law. So you determine who your beneficiary is. However, if you are married or in a domestic partnership and name someone other than your spouse or partner as your beneficiary, then your spouse or partner may still have a community property claim on the benefit.

Now, survivor, in contrast, is a determined by state law, so you don't have any control who your survivor is. Statutory rules determine who, if anyone, is going to receive this benefit.

Now, your beneficiary and survivor can be the same person, and they often are, but they don't have to be. And, we're going to talk in detail about how these two designations can work together to provide benefits after you pass away in retirement.

So, what is survivor continuance? Survivor continuance is a monthly benefit paid after your death in retirement to an eligible survivor. Your employer pays for this benefit at no cost to you. That's nice. It's provided by law to all state and school members. Our public agency members only receive this benefit if your employer contracts for it.

Now, in order for a survivor benefit to be paid, your employer has to contract for the benefit, and you also must have an eligible survivor. If you have no eligible survivor at your death in retirement, then no survivor benefit would be paid, even if your employer contracts for this benefit.

Who, if anyone, will be your survivor? State law decides who qualifies as your survivor. They're listed in order of priority. So, the highest person on the list gets the benefit. First on the list is a spouse or registered domestic partner, who you've been with for more than a year prior to your retirement. Next, are unmarried children under the age of 18. They continue to receive the benefit until they turn 18. More than one child would split the benefit. Included in there are unmarried disabled children, who became disabled prior to their 18th birthday and who is continuing disability renders them unable to hold gainful employment. And, finally, are parents who are economically dependent on you.

It's important to understand that a qualifying person higher on this list supersedes any qualifying person lower on the list. For example, if you've been married for a year prior to your retirement, then your spouse is automatically your survivor, even if you still have children under 18. Again, if you don't have an eligible survivor at the time of your death in retirement, then no survivor benefit will be paid.

The actual amount of the survivor continuance benefit is based on whether or not you contributed to social security during your CalPERS career. If you contribute to social security, then your eligible survivor would receive 25 percent of your unmodified allowance. If you don't contribute to social security, your eligible survivor would receive 50 percent of your unmodified allowance. And, we'll explain what the unmodified allowance is a little bit later in the presentation.

The survivor continuance amount will be the same regardless of the retirement payment option you select. It's payable to your eligible survivor regardless of who you choose as your beneficiary. And, again, your survivor and beneficiary can be the same person. For instance, if your spouse qualifies, they would be your survivor, and then you could also name them as your beneficiary. So they would receive both amounts. And, we'll see how that situation would work in a little bit.

Let's to another poll question on survivor continuance benefit. Does your employer provide the survivor continuance benefit? Yes, no, or, you're not sure?

So, it looks like, uh, we're running neck and neck on yes and I don't know. Pretty even. A few more are running, I don't know, than yes. So, Laurie, while we're letting people answer those questions, answer that survey, do we have any questions that have come in yet?

Laurie:
Yeah, I sure do. I do have a question about the survivor continuance. They're still a bit confused about it and they would like you to kind of just go over it one more time?

Jim Cale:
Not a problem. Not a problem.

Well, we can choose any person as a beneficiary. Only certain family members qualifies as an eligible survivor.

Again, it's a contracted benefit your employer pays for at no cost to you. It's automatically provided to state and school employees, public agencies, your employer has to specifically contract for it.

Your eligible survivor, the list starts with your spouse or domestic partner, and you have to have been married or in the partnership for more than a year prior to retirement.

Unmarried natural or adopted children would receive the benefit until they turn age 18, or married, whichever comes first. Not too many people marry under age 18 anymore, so that's probably not an issue. It can also go to disabled children, who are disabled prior to their 18th birthday.

And, remain disabled. And, last on the list is economically dependent parents.

And, again, if you don't have an eligible survivor, the benefit does not get paid to anybody.

Laurie:
Okay, thank you, Jim. I do have another question. Would my stepdaughter be considered a survivor?

Jim Cale:
No. Only natural born or adopted children may be eligible for survivor continuance.

Laurie:
Okay, thank you.

I have another question. I want my husband to be my beneficiary, and my oldest daughter to be my survivor. How do I indicate this when I retire?

Jim Cale:
Unfortunately, that situation isn't possible. Again, even if your daughter qualifies on the list, if your husband qualifies, he gets the survivor continuance benefit. You have no control over that.

You could, however, if you were so inclined, you could name your daughter as a beneficiary for a lifetime benefit, and your husband, if he still qualifies for the survivor continuous benefit, he could get that as a monthly allowance.

Laurie:
Okay, thank you. And I do have one more question here before we move forward.

Can I name a charity like the SPCA as my beneficiary?

Jim Cale:
The answer is, it depends. There's actually two types of benefits that you're going to be naming beneficiaries for, or, potentially naming beneficiaries for.

There's lump sum benefits that is benefits that are paid in a single payment, like the lump sum death benefit, or a balance of contributions payment. Those benefits you can name a charity as a beneficiary. You can name a person, a trust, a charity. You can split that benefit up as many ways as you want. Now, a lifetime beneficiary, that is a beneficiary for a lifetime monthly payment, that has to be a person. That can't be a charity or a trust.

All right, let's move on. So it looks like on that poll we're split pretty evenly between, yes, your employer contracts, and, you're not sure.

So you can always contact your employer if you're not sure if they do the survivor continuance. Contact your human resources and they'll let you know. Or, you can call us here at CalPERS and we can look it up for you as well.

All right, moving along. Let's start talking about the retirement payment options.

Now, the option you choose determines what benefits your beneficiary receives after your death. And, most of these retirement payment options we're going to be discussing require you to take a reduction in your retirement income in order to provide a payment to your beneficiary after you pass away. The reduction is going to be based on actuarial factors of age for both you and your beneficiary. So, the younger your beneficiary, the greater reduction you'll have to take your pension to fund their benefit. And you select your retirement payment option on your retirement application and your selection is irrevocable.

So, here's the list of the options we have available. There's the unmodified allowance. This is your basic pension. It's the one that all the others are based off of. There's the Option 1, 2, 2W, 3, 3W, and a collection of group of options collectively known as Option 4. And, we're going to talk about each of these options in detail in the coming slides.

So, meet Sally Sample. This is an example member we've created to give you an example. Sally is a CalPERS member planning for retirement. To help her decide which retirement payment option will work best for her, Sally orders a CalPERS generated retirement estimate, which will provide her estimated dollar amounts for each of the options. We're going to review Sally's estimate in detail to show you how the options and survivor continuance work.

To calculate Sally's estimate, CalPERS uses her account information in the following details she provides. Her retirement date: she plans to retire on her 55th birthday. Her beneficiary: and she's going to name her husband as her beneficiary. And, since they've been married for more than a year, he's also going to qualify as her survivor. And, her husband is one year older than she is. And, we're assuming Sally's employer contracts for survivor continuance, that way we can show you how that works. So, a survivor continuance amount shows on her estimate.

If your employer does not contract for survivor continuance, or, if you won't have an eligible survivor at retirement, then survivor continuance won't show on your estimate, so your estimate will look a little bit different, but the concepts will be the same.

A full explanation of how we arrived at the numbers on Sally's estimate is beyond the scope of this presentation. If you're interested in learning about the factors that are used to calculate your pension, consider taking our "Planning Your Retirement" class. It's offered online and in person at our Regional Offices. We'll also be conducting a "Planning Your Retirement" webinar on November 10th.

So the first option available to Sally is the unmodified allowance. It would pay Sally $1,433 a month for the rest of her life. The unmodified allowance is base pension and it's the highest amount she can receive in retirement, but it does not provide a benefit to a beneficiary upon her death in retirement. All the other options we'll be talking about are a reduction from the unmodified allowance.

Since Sally contributed to Social Security during her CalPERS career, her survivor continuance amount is 25 percent of her unmodified allowance, which is $358. Her eligible survivor, her husband, would receive that $358 a month for the rest of his life upon Sally's death in retirement. This amount will stay the same regardless of which option Sally chooses.

The next option available is Option 1. This option pays Sally a little bit less than the unmodified allowance, drops her down to $1,421 a month for the rest of her life. And, what Sally gets for that reduction in her retirement income is the ability to leave something to her beneficiary. With an Option 1, what her beneficiary would receive is the balance of her employee contributions in a single payment upon her death in retirement.

So, here's how it works. As you can see in the highlighted box on this slide, we're assuming Sally has $60,000 in member contributions at her retirement. To help fund her pension, CalPERS will pay that money out to her in the amount of $462.10 per month for a period of 10.82 years. That's about 10 years, 10 months. It usually takes between nine and 11 years to pay a member's contributions back out to them to help fund their pension. Now, it's important to know that once her contributions are all used up, her pension amount does not change, it's a lifetime benefit. It's just at that point it would be entirely funded by employer contributions in the CalPERS investment returns.

So, if Sally passes away inside the 10.82 year period when some of her money is still left, the remainder goes to her beneficiary in a single payment. So, Option 1 allows Sally to protect her employee contributions, the money that she's contributed into the system.

If Sally chose an unmodified allowance, for example, any contributions still left in the system upon Sally's death would stay with CalPERS, it would not go to a beneficiary.

The survivor continuous amount to her husband stays the same at $358. If Sally's husband passes away before she does, her pension amount will not change. It actually does change with some of the other options that we'll see in a little bit.

So let's move on. And let's consider a scenario. Suppose Sally wants her husband to continue to receive the exact same payment after her death that she had been receiving while she was alive. Option 2 and 2W can both meet this need. We'll start with Option 2 here on the screen now.

Option 2 is a further reduction from the unmodified allowance, paying Sally $1,357 a month for the rest of her life. And, what Sally gets in return for that reduction is the ability to leave a lifetime monthly income to her beneficiary, her husband, after her death in retirement. Under Option 2, Sally's husband will get $999 a month for the rest of his life as her beneficiary. Because they were married for more than a year prior to Sally's retirement, he also qualifies as her survivor. So, if Sally passes away, he would get $358 as her survivor, as well as the $999 as her beneficiary. And, you add those together and it equals $1,357, the exact same amount that Sally had been getting while she was alive. So, Option 2 is a good way to take care of a spouse. If the CalPERS retiree passes away, their spouse continues to receive the same amount the CalPERS retiree received while alive. If your employer does not contract for survivor continuance, or if you don't have an eligible survivor when you retire, you'd still be able to leave your beneficiary the same payment you'd receive while you were alive with an Option 2 or 2W. The difference is, without the survivor continuance to help pay the cost it would require a greater reduction from your unmodified allowance. And, with an Option 2, if Sally's beneficiary passes away before she does, her pension will pop up to the unmodified allowance. That could be a useful feature.

Option 2W is very similar to Option 2 in that if Sally passes away, her husband would receive the same payment she had been receiving. The difference is that with Option 2W, Sally's pension will not pop up to the unmodified allowance if her husband passes away before she does. As a result, Option 2W pays a little bit more than Option 2, $1,369 versus the $1,357. The beneficiary amount to Sally's husband is $1,011 with an Option 2W. The survivor continuance amount remains the same at $358. Add that to the $1,011 beneficiary portion and you get $1,369, the exact same payment Sally had received while she was alive.

If Sally's husband passes away first with an Option 2W her payment stays the same, there's no pop up as there is with an Option 2. So, an Option 2W is very consistent. If Sally passes away, her husband would continue to receive the same payment she'd been getting. If he passes away first, she will continue with the same payment she'd been getting all along.

Let's move on to the Option 3's. And, to introduce these, we'll consider another scenario.

Suppose Sally wants to leave her husband a monthly income after she passes away in retirement, but the reduction she has to take to her pension under an Options 2 or 2W is just too expensive. She needs more money while she's alive and her husband can get by with less after she passes away. Perhaps he has his own retirement plan. Option 3 or 3W can meet this need.

So, Option 3 will pay Sally $1,393 while she is alive. You see that's higher than either of the Option 2's. But the tradeoff is that her husband would receive less if she passes away. Under Option 3 her husband gets $517 as her beneficiary. Add the $517 beneficiary amount to the $358 survivor amount and Sally's husband would receive $875 upon her death in retirement under an Option 3. And, like in Option 2, with an Option 3 Sally's pension would pop up to the unmodified allowance if her husband passes away first.

Option 3W pays Sally a little bit more than Option 3, $1,401 versus $1,393. Option 3W would pay her husband $521 as her beneficiary. He still gets the $358 survivor portion; Added to the $521, that equals $879 a month for Sally's husband should she pass away in retirement. With Option 3W, if Sally's husband passes away first, her pension amount doesn't change. It doesn't pop up like an Option 3 or 2.

So let's talk about the Option 4 benefit choices. These were added to the standard retirement options we just talked about to allow you to further customize your benefit. For example, you can combine an Option 2W or 3W with an Option 1. These are actually the most common of the Option 4's. And, what these allow you to do is, they allow a members unused contributions to go to a secondary beneficiary if both the member and their primary beneficiary pass away before the member's contributions are paid out. With Option 4 you can also leave a specific dollar amount or a specific percentage to a beneficiary. You can also name multiple lifetime beneficiaries with an Option 4.

For further explanation of the Option 4 choices, please refer to our publication, "A Guide to CalPERS Retirement Option 4."

When you're within three years of retirement you'll want to order a CalPERS generated benefit estimate to help you plan for your retirement. And there's three ways you can order an estimate from us. You can download and complete the *Retirement Allowance Estimate Request* form, or you can fill in the online version of the estimate request form and submit it electronically, or you can call us at our toll free number 888-CalPERS, or 888-225-7377, and we'll order you one up over the phone.

If you're more than three years away from retirement, use the self-service estimate tools on our website. When you're that far away from retirement they are just as accurate as a CalPERS generated estimate. And they get you some instant numbers back. Don't have to wait.

So, to wrap up our discussion of the options before we move onto the retirement application, there's several retirement payment options facts you need to keep in mind. There's a variety of payment options to meet your needs, all the basic options we discussed here, plus the Option 4's. Your option choice impacts your benefit for life. You choose your payment option and name your beneficiaries on your retirement application. And, once you make that choice, your option choice is irrevocable past the mailing of your first pension check. So you need to make an informed choice. It's an important decision that's going to affect your income for the rest of your life.

And let's ask a couple more questions here. To help us get some feedback, if you will.

Was this presentation helpful in providing you a better understanding of the retirement options? Very helpful, somewhat helpful, or not helpful.

So, it looks like we're about almost two, well, a little more than half, was helpful, and, less than that for somewhat helpful. So we're doing all right here. Not too bad. Okay. Still a little more than half think we were helpful. So it looks like we might have a little bit of work to do on this. That's all right. It's always a learning process.

Let's see. It looks like we're not getting anymore responses. So let's go onto another question, and this if for me. For my purposes.

How is the pace of this presentation so far? Are we going too fast, are we too slow, or is it just about right?

Okay, so most of you seem to think it's just about right. That's good. I usually go a little bit too fast, so it seems like I'm slowing myself down in an appropriate amount here.

And, while they're looking at this, Laurie, have got any other questions that have come in?

Laurie:
Yes, we do. We actually have probably one of the most common questions that comes up. What is the best option to choose?

Jim Cale:
Well, there is no one best option for everybody. That's why we have so many choices to choose from. So you want to look through them carefully and figure out which one is going to work the best for you.

A few questions to ask yourself to help narrow your choices down: Does someone else depend on your retirement check? Will they be able to live in the same manner if you were to pass away and your check stopped? Can you afford to take a reduction in your retirement checks so that you can leave a lifetime benefit to someone else?

Any other questions?

Laurie:
I sure do. I have somebody who has a five year old granddaughter that lives with them. She says, "I want to make sure she gets something each month if I die. Can I do this, and, if so, how will this affect my check?

Jim Cale:
Yes, of course. You can name anyone you want as a lifetime beneficiary for a 2, 2W, 3, 3W, or one of the Option 4's. The thing to keep in mind is that the younger your beneficiary; the bigger the reduction to your retirement check because we have to expect we're going to be making those payments for a longer period of time. So you're going to take a bigger reduction to fund that payment to a grandchild. So you definitely want to order a CalPERS generated estimate to see how that's going to affect you.

Laurie:
Thank you. And I do have another question.

Jim Cale:
Hmm-hmm.

Laurie:
Somebody wants to know if their wife will still have health coverage when they pass away?

Jim Cale:
That depends. Of course, if you're getting coverage through CalPERS, your wife would be able to continue the coverage as long as she continues to get a payment from CalPERS as a survivor or beneficiary after you pass away in retirement. So, if your employer contracts for survivor continuance, and your wife qualifies as a survivor, then she's automatically good to go, she's going to be getting that survivor continuance payment. However, if your employer does not contract for survivor continuance, then you have to be sure you choose an option

that leaves her a monthly benefit after you pass away if you want her to be able to continue the health benefits, such as an Option 2, 2W, 3 or 3W.

Laurie:
Okay. Thank you. Okay, I have another question. Do I have to logon with my user name and password to do an estimate?

Jim Cale:
You don't have to. You actually have two options to order an estimate from our online website. You can use the Retirement Planning Calculator on CalPERS On-line. Now, this is the self-service tool we have that does not require you to login. You enter in all your own data and it gives you back instant numbers. This is real good for all those what-if situations, like if you get a pay raise, or maybe move to a different employer with a different formula, that kind of thing.

You can also log in and, to my|CalPERS web portal, and that uses the data from our latest annual members, from your latest annual member statement. It makes your data entry a little easier. And all you enter is your retirement date and beneficiary information. You can also save those estimate for future reference.

Laurie:
Okay. Thank you.

Jim Cale:
All right. So let's move on. Now that we know that our pace is okay.

So now we're going to move on and take a look at the service retirement application. The full name for this is the *Service Retirement Election Application*. And this form is contained in the CalPERS publication, *A Guide to Completing Your CalPERS Service Retirement Election Application*.

This publication [is a] very informative booklet. It includes information about creating a retirement planning checklist: Health, dental and vision coverage in retirement, if eligible, taxes in retirement, and working after retirement.

Now, if you already have a copy of the retirement application you can follow along with the presentation. If you don't have a copy, if you want, you can try and download one from our website real quick, at our Forms and Publications Center on our homepage www.calpers.ca.gov. You'll see there's a link over on the right hand side entitled Forms and Publications Center. You may have to scroll down a little bit. It's kind of orange-brown in color. Select that link and there will be a link to the service retirement application on the very next page it displays, so it's easy to find.

So the first section in the retirement application, Section 1. And this is information about you and it's very straight forward. All you have to do is fill in the blanks with your name, address, social security number and so on.

Next section is the information about your retirement section, and this is where you enter your retirement date. Your retirement date has to be at least one day after your last day on payroll. Enter the name of your current CalPERS employer and your current position title. And, please do not abbreviate your employer's name or your position title. All different government agencies use different acronyms and abbreviations, so we're probably not going to understand what your abbreviations mean.

In the Temporary Annuity Subsection, indicate whether or not you want to receive a temporary annuity. A temporary annuity is an additional optional benefit that allows a retiree to receive more money in the initial years of retirement at the expense of a permanent reduction later on. If you select the, yes, then you need to indicate at what age you want the annuity to stop and what dollar amount you want to receive. The benefits you're eligible for are based on the date you became a CalPERS member. And, for complete details on the temporary annuity, see our Temporary Annuity Publication.

Next section is the Final Compensation Period Section. And this is where we used to have members state whether or not they had a higher final compensation period than the last months of their employment. CalPERS now has a new computer system that performs this task automatically so you don't need to complete this section if you don't want to. If you do, it's not going to hurt anything. But, you don't need to fill this one out.

In the other California Public Retirement System Subsection, tell us if you're a member of a California Public Retirement System other than CalPERS, such as one of the 1937 Act Counties, like Sacramento County, for instance, or, perhaps the State Teachers Retirement System. Now, this does not include Social Security. If yes, please provide us the name of that retirement system, the date of your retirement with that system, which should be the same date as your retirement from CalPERS, the date your service began, and the date your service ended with that other retirement system.

And, please remember to write your name and social security number at the top of all the pages of the application. That makes it a lot easier for us.

Section 3 is where you choose your retirement option. If you want one of the basic options shown here, only check one box in this section. And, please only check one box. We sometimes receive applications with more than one option selected and we have to reject those. We have to send them back to you.

In the small print next to your option choice, we'll tell you which subsequent section to fill out to complete, to name your beneficiary.

If you want to elect an Option 4, individual lifetime beneficiary, you'll do so here. Select the box at the top of the section shown on this slide; and then one of the lower boxes to choose your actual Option 4.

And, here's some additional Option 4 benefit payment choices. If you want to leave a lifetime benefit to more than one person, you can select Option 4 Multiple Lifetime Beneficiaries here. Please be aware if that you select this option, your retirement check is going to be less than if you named only one beneficiary. If your community property court order states that you must select your ex-spouse or ex-domestic partner as the beneficiary, then you'll select the appropriate Option 4 Court Ordered Community Property here.

Section 3A applies only if you selected Option 2, 2W, 3, 3W, or 4 Individual Lifetime Beneficiary. Provide the following information from your beneficiary: their name, social security number, date of birth, gender, their relationship to you, and their mailing address.

You'll complete Section 3B only if you're selecting Option 4 Multiple Lifetime Beneficiaries. And this is where you'll name the beneficiaries for your Option 4.

And you'll complete Section 3C only if you have selected an Option 4 Court Ordered Community Property.

Complete Section 3D to name your Option 1 or Temporary Annuity Balance Beneficiaries. These are both lump sum benefits, which is a single payment benefit. So you can name more than one beneficiary to split the amount, if any. You may also name a charity or a trust as a beneficiary for this benefit because they are lump sum benefits and you can split them up as many times as you want.

Next section, Section 4 is where you name your beneficiaries for your retired death benefit. All employers provide a lump sum death benefit, so you know you need to complete this section. The amount can range from $500 to $5,000 depending on your employer's contract.

Complete Section 5 to determine if you have an eligible survivor. Again, your employer has to contract for this benefit. It's a monthly benefit your eligible survivor receives after your death in retirement, and this is where we figure out if you've got an eligible survivor or not. So, what you're going to do is you're going to go through and answer each one of these five questions. Please answer all five. And, complete the information in each section where you answer a Yes.

So the first question: Will you be married on and at least one year prior to your retirement date? If, yes, then you enter your spouse's information here.

Moving on to Question 2: Will you be registered with the California Secretary of State as being in a domestic partnership on and before your retirement date? If yes, you enter their information here.

Third question: Do you have any natural or adopted unmarried children under the age of 18. If yes, enter their information here. Then, do you have any unmarried children who are disabled prior to their 18th birthday and, who are still disabled? And, finally, are your parents depended upon you for one half of their support?

In Section 6, state your last day on payroll. Generally, your last day on payroll is the day before your retirement date. If you're on vacation or paid leave, running out your leave balances, you're still on payroll and your last day of vacation or leave would be your last day on payroll.

Section 7, is filled out by your employer. In Section 7, have your employer certify your last day on payroll, your separation date, the number of days of unused sick leave you have, if any, and the number of days of educational leave you have, if any. If your employer does not complete this section before you submit your application, you can submit this information later.

Your retirement benefit is, of course, taxable. And, in Section 8, you'll advise CalPERS how you want your taxes withheld from your pension check. In the Federal Taxes Subsection you can choose the following: You can choose not to have any Federal taxes withheld. If you do choose not to have any taxes withheld, you may have to pay the Federal taxes when you file your tax return the following year.

You can choose to have a flat dollar amount withheld. You can also choose to have the amount withheld based on the tax tables, claiming married, and single with the number of exemptions. If you don't make a selection here, the default selection is married with three deductions.

For state tax withholding you have available any of the same options, any of the same choices you had under the Federal taxes, as well as to have your state taxes withheld in the amount of 10 percent of Federal taxes. And, again, if you don't have any state taxes withheld, you may have to pay the state taxes when you file your tax return the following year.

And, if you move out of California, you may not have to pay taxes on your CalPERS pension. And, you can change your tax withholding elections at anytime during your retirement. All you have to do is download a new tax withholding form from CalPERS online, complete the form and mail it in to us and we'll change your tax withholdings for you.

Section 9 is in the last page of your retirement application. This is where you actually sign the application. You and, if applicable, your spouse or registered domestic partner have to sign the application, and you have to have your signatures either notarized or witnessed by an authorized CalPERS employee.

Please don't sign the application until you are with the notary or an authorized CalPERS employee.

Now, with the boxes shown at the bottom of this slide, you'll indicate whether or not you are married or have a domestic partner. If the answer is no, you need to check the box that explains why.

The first line shown on this slide is where you sign and date your application. On the second line, that's where your spouse or domestic partner is going to sign. If a notary is witnessing your signatures, then the notary completes the middle section there. The bottom section will be filled out by the notary or the authorized CalPERS representative.

And there's some supporting documents or forms that you may need to turn in along with your retirement application. There's the *Justification for Absences of Spouses or Domestic Partners Signature* form. There's a *Direct Deposit Authorization* form, if you want us to direct deposit your retirement check for you. You may need to turn in a copy of your spouse or domestic partner's birth certificate, and we may need a copy of your marriage certificate, or a certificate of domestic partnership. The copies of these last two forms are fine, we don't need originals.

As you prepare for retirement, you may need to contact us here at CalPERS, and there's several ways you can do so. You can use the "Ask CalPERS" service on CalPERS On-line. Where you basically send us an email, we route the email to the unit at CalPERS most appropriate to get you a good answer, and then we send you the answer back. Keep in mind that since the answer is coming back over the open Worldwide Web, we can't include any personal information in a response to an email. So, if the response is going to need to require personal information, you may want to write into us.

You can always call us at our toll free number 888-CalPERS, 888-225-7377.

Again, you can write us by mail. And, if your response is going to require a lot of research, or, again, personal information, that may be the best way to get it done.

And, you can, of course, visit us at one of the eight regional offices we have around the state.

You can also follow us on Twitter, http://twitter.com/calpers. And, you can find us on Facebook, facebook.com/mycalpers. And you can view our videos on YouTube. We have educational videos on YouTube at youtube.com/calpersnetwork.

And, here's our eight regional offices we have scattered throughout California to help serve you. These are where you can go to have a CalPERS representative witness your signature on your retirement application, and they'll also review your application to make sure everything is completed correctly for you.

CalPERS offers both prescheduled and walk-in appointments. A prescheduled appointment will minimize your wait time. Walk-ins to our regional offices can sometimes wait more than an hour. The prescheduled appointments can fill up fast, they can often fill up over a month in advance. So you'll need to plan ahead if you want to schedule an appointment with one of our offices. And you can schedule an appointment through our website, or by calling our toll free number.

Laurie, do we have any more questions that have come in?

Laurie:
We certainly do. Okay. So, one important question that we have is when should I turn in my application?

Jim Cale:
Well, that is a common question. The answer: We can't take your application any sooner than 90 days in advance of your retirement date. That's the earliest we can take it. But we'd like to have it as early as possible. The more time you can give us to process your paperwork, the more likely we'll be able to start your payments on time. So, the earlier you can get it in, the better.

Laurie:
Okay. And, I have a question about the temporary annuity that you went through when you were going through the application. They'd like to know how the temporary annuity works?

Jim Cale:
All right. What the temporary annuity does, it provides an additional monthly income that temporarily enhances your pension. And the important thing to remember about a temporary annuity that it is not free. It's paid for by a permanent reduction into your pension. The reduction starts right away. So you get a little bit more in the initial years of retirement, but then the temporary annuity drops off and you're stuck with that permanent reduction for the rest of your life.

If you're considering a temporary annuity, I strongly urge you to download and read our temporary annuity publication so you know the pros and the cons. You may even want to speak with a financial consultant. I always want to be very clear on this point. One time I was counseling a member at the regional office in Sacramento, and they came into me in a panic because their last pension check had dropped several hundred dollars from what it had been in the previous month. And they wanted to know why. And the reason why is they had taken a temporary annuity when they retired and they had forgotten about it. So, this can be a very useful tool in helping you plan for your retirement, but you need to be careful with it. It's not something you want to guess on.

Laurie:
Okay. Thank you. Okay, so, I do have a few more questions here. "Why does the application have a place for my unused sick leave?"

Jim Cale:
Sick leave is one of those benefits that you either have to use it or you lose it. And, one way we allow you to use it is to convert it to service credit on your retirement application. And that's why there's a section for your employer to certify how much you have left. That way it turns into service credit. It's an employer contracted benefit, state and school members get it, public agencies have to contract. You have to retire within 120 days of your separation to be eligible for the benefit.

Laurie:
Okay, great. Thank you. Again, we have a question about, "Why does the application ask about other California retirement systems?"

Jim Cale:
CalPERS has an agreement with other retirement systems in California that allow movement from one retirement system to another within a specific time period, that allows you to go from one to the next without losing valuable retirement rights, and this is called reciprocity.

We have agreements with the 1937 Act counties, for example. We have an agreement with CalSTRS. What you do is you retire from each system on the same date and we communicate, the systems communicate with each other to help maximize your benefits.

Laurie:
Okay. Thank you. Another question, "My highest pay rate occurred a few years ago. Will you use my current pay rate to calculate my retirement, or my higher pay rate from earlier?"

Jim Cale:
Our new system will automatically find your highest final compensation period no matter where it occurred in your career. So you don't have to do the research on that, our system is going to do it for you.

Laurie:
I have a question about one of the slides. "You mentioned a justification for absence of a signature, what's this for?"

Jim Cale:
If you're married, or in a registered domestic partnership, your spouse or partner needs to sign your retirement application to verify that they're aware of the benefits. Now, if you can't obtain their signature for whatever reason, then you need to complete the *Justification for Absence of Spouse or Domestic Partner's Signature* form and turn it in along with your application.

Laurie:
Okay. Thank you. I also have another question. "Why do we need, or, why do I need a copy of my husband's birth certificate?"

Jim Cale:
You only need your husband's birth certificate if you're going to name him as a lifetime beneficiary. Remember we said that the amount of the reduction is based on your husband's age. Well, the birth certificate determines his age.

Laurie:
Okay.

Jim Cale:
And, the earlier we can get that, if you, when you eventually do pass away, if we don't have it, it may delay the payment of benefits a little bit if we don't have those things.

Laurie:
Okay. Thank you. Okay, another question. We talked about post retirement death benefits. What, the question is, "What happens if I pass away while I'm still working?"

Jim Cale:
And that is another question with the answer of, it depends. Pre-retirement death benefits vary quite a bit. They're going to depend on your membership category, who you worked for, whether you're eligible for retirement or not, and a whole slough of other potential factors. So, each member's death benefits, pre-retirement death benefits can vary significantly depending on circumstances and data. For more information on your pre-retirement death benefits you want to review your member publication. It's called "Your Benefits, Your Future." We've got five versions of it, one for local miscellaneous employees, one for state miscellaneous employees, one for local safety members such as police and fire, one for state safety members such as CHP and corrections, and also one for school members. You can contact your human resources or personnel for any

questions on pre-retirement death benefits, and you can always contact us here at CalPERS as well and we can help you out.

Laurie:
Great. Thank you. I do have a few more questions that have come in.

Jim Cale:
Hmm-hmm.

Laurie:
Okay. I actually have three different ones that came in about the sick leave. They would like to know, or have sick leave explained a little bit more again. And, also, what's the benefit of having sick leave at retirement?

Jim Cale:
Well, what the benefit of having sick leave at retirement is, we'll start at the end there. Any unused sick leave you have at retirement, as long as your employer contracts to the benefits, again, will increase your service credit, basically increase your time on the job. So it will boost your retirement payment a little bit, depending on how much sick leave you have. Now, we use years of service credit in the pension calculation. So you need to be able to convert your hours of sick leave into years of service credit. So they have an idea of how it might boost your pension. And, again, we'll go into more detail on this subject in our "Planning Your Retirement" class and the webinar we're holding next month. But, if you want to do that, you take the number of hours of sick leave you have left, multiply it by eight, that gives you your number of days, and then you can multiply the number of days by 0.004 and that will give your service credit in years, your sick leave in years.

Laurie:
Okay. Wonderful. Thank you. You have a couple more questions. "If I want to retire at the end of the year, what date should I use, December 30, 31, or January 1st?"

Jim Cale:
You definitely don't want to go into the next year. If you name December 31st as your retirement date, then your last day on payroll will be December 30th. And, you don't want to go into the, and we go into much better detail on this subject in the "Planning Your Retirement" class. But you don't want to go into the next calendar year with your retirement date unless you're trying to add more time, or work for a longer period of time at a higher pay rate, something like that. So, December 31st will be the day you name as retirement date, and then the 30th is your last day on payroll.

Laurie:

Okay. Thank you. I do have another good one. "What if I've already submitted my application and I change my mind?"

Jim Cale:
If you change your mind, you can call us up and we can move your retirement application date within certain limits. But, just give us a call and we can walk you through that.

Laurie:
Okay. Great. I do have a few more questions. But, I also wanted to let you know that a list of all the questions and answers, along with the transcript and a recording of this event will be archived, and it's going to be posted on the CalPERS website. And that will be at www.calpers.ca.gov. Now, once they've been posted you're going to get an email with a link to all the materials. And that will include the slideshow, the video, the audio and, again, a transcript.

So, let's go ahead to a few more questions. We've still got some time. Talk about the "Planning Your Retirement" class, they want a little bit more detail about what that covers?

Jim Cale:
Okay. Our "Planning Your Retirement" class is our most popular class. We have both instructor led versions that are taught in our regional offices, and occasionally out at employer sites. We also have an online version. It's a two, two and a half hour class that covers how your pension is calculated. We go through the options examples like we did here. We go into post-retirement benefits, like your cost of living adjustment, health benefits in retirement. It's really a much more detailed class. And, again, we will be doing a "Planning Your Retirement" webinar on November 10th. I believe that starts at 9:00. Yeah, that's going to be scheduled for 9:00 in the morning. So you can look forward to that.

Laurie:
Okay. Another question is, "What is the earliest age that I can retire?"

Jim Cale:
The earliest age you can retire is usually 50 for most people. Fifty will be when you're eligible for retirement as long as you have five years of service credit. If you're state second tier, it's 55 and ten years of service credit. We don't have too many second tier members left anymore.

Laurie:
Okay. Thank you. Can you repeat information about the last day on payroll, particularly vacation time? How is that affected?

Jim Cale:

Okay. If you're running out leave balances like vacation time, then you're still on active payroll, even though you're not actually at the office working. So, your last day of vacation that you use up is your last day on payroll, then your retirement date will be the day after.

Laurie:
Okay. Thank you. This is kind of rephrased. I think we had this question earlier, but it went from, "What is the best option to what is the most popular option."

Jim Cale:
We really don't have a most popular option that I know of. I mean, there's one that might have a few percentage points more than all the others. But, again, the reason we have so many different options is there's so many different personal situations out there. So, it just depends on what's going to work for you.

Laurie:
Okay. Thank you. A question I have is, "Please review Option 1."

Jim Cale:
Okay. Option 1. You remember this is the option that allows you to protect your employee contributions. So, we all contribute into CalPERS. We put money into the system every month. When we retire, CalPERS is going to start paying that money back to us to help fund our pensions. And, again, it takes between nine and 11 years to pay the money back for most people. Once our money is all used up, our pensions don't change, it's just that at that point it's entirely funded by employer contributions and CalPERS investment returns. So, what Option 1 allows you to do is if you pass away when some of your money is still left, the rest of your money can go to a beneficiary; Goes in a single payment. And it's important to remember that with an unmodified allowance, for instance, if you pass away when some of your money is still left, all that money just stays with CalPERS. Now, with an Option 4 you can combine the Option 1 with an Option 2W or 3W. And this is potentially really nice for a lot of people, because what it allows you to do is, for instance, name a spouse as your lifetime beneficiary. So, if you pass away, they get a monthly check for the rest of their life as your beneficiary. Then, if they, if both of you pass away, when some of your initial contributions are still left, then those contributions can go to another beneficiary with your Option 1. So it allows you to combine the benefits of both.

Laurie:
Okay. And that kind of leads right into, I think this will be our last question of the day. And, it's just a question, not really a question, but would you please review the difference between Option 3 and 3W, again?

Jim Cale:
Option 3 and 3W are very similar. The big difference is in Option 3, if your beneficiary, if your lifetime beneficiary passes away first, then an Option 3 will

pop back up your unmodified allowance. And, Option 3W, you can think of the W standing for waiving the right to pop back up. The 3W will not pop back up if your beneficiary passes away first, and, therefore, it pays you a little bit more while you're alive than the standard Option 3.

Laurie:
Okay. Thank you, Jim.

Jim Cale:
And I think that's all the time we've got for questions.

So our presentation today was intended to give you a brief introduction to the retirement payment options in the service retirement application. We hope this information has been helpful in helping you plan your retirement, whether your retirement is years away or just around the corner. And, remember, you can always take one of our member education classes either online or in a classroom setting for more detailed information. And, thank you for attending.

Call Operator:
Ladies and gentlemen, let me extend a big thank you to CalPERS representative, Jim Cale and Laurie Daniels. And, thank you, ladies and gentlemen for joining us. This does conclude the audio portion of our presentation. You may now disconnect.

End of Audio Transcript